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**NEW ORLEANS BUILDING CORPORATION****FINANCIAL STATEMENTS****DECEMBER 31, 2011 AND 2010**

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Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date OCT 17 2012



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& Netterville

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**NEW ORLEANS BUILDING CORPORATION**

**NEW ORLEANS, LOUISIANA**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2011 AND 2010**

**NEW ORLEANS BUILDING CORPORATION**

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**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
New Orleans Building Corporation

We have audited the accompanying statements of net assets of New Orleans Building Corporation (the Corporation, a governmental entity), a discretely presented component unit of the City of New Orleans, Louisiana, as of December 31, 2011 and 2010 and the related statements of revenues, expenses, and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of New Orleans Building Corporation's management. Our responsibility is to express opinions on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Corporation's internal control over financial reporting. Our audits included consideration of the internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the New Orleans Building Corporation as of December 31, 2011 and 2010 and the respective changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2012, on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be read in conjunction with this report in considering the results of our audits.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Postlethwaite + Nettenville*

New Orleans, Louisiana  
June 25, 2012

**NEW ORLEANS BUILDING CORPORATION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2011 AND 2010**

This report offers readers of these financial statements an overview and analysis of the financial activities of the New Orleans Building Corporation (the Corporation). This narrative is designed to assist the reader in focusing on significant financial issues, identify changes in the Corporation's financial position, identify any material deviations from the approved budget documents, and identify other issues or concerns.

**FINANCIAL HIGHLIGHTS**

Through a Cooperative Endeavor Agreement with the City of New Orleans, the Corporation was awarded approximately \$30 million towards the redevelopment of the city's waterfront (Reinventing the Crescent). Included in the financial statements is federal grant revenue of \$9,258,851 relating to this project. These funds originated from the Disaster Community Development Block Grant (D-CDBG) program of the U.S. Department of Housing and Urban Development (HUD) administered by the City of New Orleans and the State's Office of Community Development. The program operates on a cost reimbursement basis.

Overall, the Corporation's net assets of \$26,934,566 represent 84.11% of total assets at December 31, 2011. The Corporation's increase in net assets for the year ended December 31, 2011 of \$8,805,157 is primarily due to the federal grant funding received.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This financial report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and the notes to the financial statements. The financial statements provide both long-term and short-term information about the Corporation's overall financial status. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

The Corporation's financial statements are prepared on an accrual basis in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. Under this basis of accounting, revenues are recognized in the period in which they are earned, expenses are recognized in the period in which they are incurred, and depreciation of assets is recognized in the Statements of Revenues, Expenses, and Changes in Net Assets. All assets and liabilities associated with the operation of the Corporation are included in the Statements of Net Assets.

**NEW ORLEANS BUILDING CORPORATION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2011 AND 2010**

**COMPARATIVE FINANCIAL STATEMENTS**

The following chart provides condensed information from the statement of net assets for 2011 and 2010:

**Statements of Net Assets Comparative Data**

	<u>2011</u>	<u>2010</u>	<u>\$ Variance</u>	<u>% Variance</u>
Current and other assets	\$ 4,082,336	\$ 3,190,355	\$ 891,981	28%
Restricted cash	4,579,562	4,819,308	(239,746)	-5%
Capital assets, net	23,361,545	13,118,521	10,243,024	78%
Total Assets	<u>\$ 32,023,443</u>	<u>\$ 21,128,184</u>	<u>\$ 10,895,259</u>	<u>34%</u>
Current liabilities	\$ 2,489,425	\$ 2,899,984	\$ (410,559)	-14%
Long term liabilities	2,599,452	98,791	2,500,661	2531%
Total Liabilities	<u>\$ 5,088,877</u>	<u>\$ 2,998,775</u>	<u>\$ 2,090,102</u>	<u>41%</u>
Net Assets				
Invested in capital assets	\$ 23,361,545	\$ 13,118,521	\$ 10,243,024	78%
Restricted	4,588,728	4,819,308	(230,580)	-5%
Unrestricted	(1,015,707)	191,580	(1,207,287)	-630%
Total net assets	<u>\$ 26,934,566</u>	<u>\$ 18,129,409</u>	<u>\$ 8,805,157</u>	<u>33%</u>

The Corporation's net assets at December 31, 2011 consists primarily of its investments in capital assets (land, building & improvements, and equipment) and restricted cash relating to its operation of the NOUPT (See Note 1 at page 13). Overall, the Corporation's net assets increased by \$8,805,157 from the previous year primarily due to federal funding received for construction projects.

**NEW ORLEANS BUILDING CORPORATION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2011 AND 2010**

**COMPARATIVE FINANCIAL STATEMENTS (CONTINUED)**

The following chart provides condensed information from the statement of net assets for 2010 and 2009:

**Statements of Net Assets Comparative Data**

	2010	2009	\$ Variance	% Variance
Current and other assets	\$ 3,190,355	\$ 3,508,808	\$ (318,453)	-9%
Restricted cash	4,819,308	4,822,503	(3,195)	0%
Capital assets, net	13,118,521	9,835,949	3,282,572	33%
Total Assets	<u>\$ 21,128,184</u>	<u>\$ 18,167,260</u>	<u>\$ 2,960,924</u>	<u>14%</u>
Current liabilities	\$ 2,899,984	\$ 803,485	\$ 2,096,499	261%
Long term liabilities	98,791	1,733,279	(1,634,488)	-94%
Total Liabilities	<u>\$ 2,998,775</u>	<u>\$ 2,536,764</u>	<u>\$ 462,011</u>	<u>15%</u>
Net Assets				
Invested in capital assets	\$ 13,118,521	\$ 9,835,949	\$ 3,282,572	33%
Restricted	4,819,308	4,822,503	(3,195)	0%
Unrestricted	191,580	972,044	(780,464)	-80%
Total net assets	<u>\$ 18,129,409</u>	<u>\$ 15,630,496</u>	<u>\$ 2,498,913</u>	<u>14%</u>

The Corporation's net assets at December 31, 2011 consists primarily of its investments in capital assets (land, building & improvements, and equipment) and restricted cash relating to its operation of the NOUPT (See Note 1 at page 13). Overall, the Corporation's net assets increased by \$2,498,913 from the previous year primarily due to federal funding received for construction projects.



**NEW ORLEANS BUILDING CORPORATION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2011 AND 2010**

**COMPARATIVE FINANCIAL STATEMENTS (CONTINUED)**

The following chart provides condensed information from the statement of revenues, expenses, and changes in net assets for 2011 and 2010:

**Statements of Revenues, Expenses, and Changes in Net Assets Comparative Data**

	<u>2011</u>	<u>2010</u>	<u>\$ Variance</u>	<u>% Variance</u>
Revenues:				
Lease rental income	\$ 1,825,212	\$ 1,791,894	\$ 33,318	2%
Other income	76,389	100,884	(24,495)	-24%
Total revenues	<u>1,901,601</u>	<u>1,892,778</u>	<u>8,823</u>	<u>0%</u>
Expenses:				
NOUPT	2,280,853	2,336,252	(55,399)	-2%
Administration	74,442	330,448	(256,006)	-77%
Total expenses	<u>2,355,295</u>	<u>2,666,700</u>	<u>(311,405)</u>	<u>-12%</u>
Change in net assets before capital contributions	<u>(453,694)</u>	<u>(773,922)</u>	<u>320,228</u>	<u>-41%</u>
Capital contributions	9,258,851	3,272,835	5,986,016	183%
Change in net assets after capital contributions	<u>8,805,157</u>	<u>2,498,913</u>	<u>6,306,244</u>	<u>252%</u>
Net assets - January 1	<u>18,129,409</u>	<u>15,630,496</u>		
Net assets - December 31	<u><u>\$ 26,934,566</u></u>	<u><u>\$ 18,129,409</u></u>		

Total revenues increased by \$8,823 from the previous year due to an increase in lease rental income at NOUPT offset by a decrease in other income. Increase in capital contributions of \$5,986,016 is due to the continued federal funding provided for the Reinventing the Crescent project.

Total expenses decreased by \$311,405 from the previous year. The decrease in expenses is primarily due to the decrease in repairs and maintenance and miscellaneous expenses from prior year.

**NEW ORLEANS BUILDING CORPORATION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2011 AND 2010**

**COMPARATIVE FINANCIAL STATEMENTS (CONTINUED)**

The following chart provides condensed information from the statement of revenues, expenses, and changes in net assets for 2010 and 2009:

**Statements of Revenues, Expenses, and Changes in Net Assets Comparative Data**

	<u>2010</u>	<u>2009</u>	<u>\$ Variance</u>	<u>% Variance</u>
Revenues:				
Lease rental income	\$ 1,791,894	\$ 1,836,376	\$ (44,482)	-2%
Other income	100,884	134,350	(33,466)	-33%
Total revenues	1,892,778	1,970,726	(77,948)	-4%
Expenses:				
NOUPT	2,336,252	2,357,394	(21,142)	-1%
Administration	330,448	180,381	150,067	45%
Total expenses	2,666,700	2,537,775	128,925	5%
Change in net assets before capital contributions	(773,922)	(567,049)	(206,873)	27%
Capital contributions	3,272,835	3,059,813	213,022	7%
Change in net assets after capital contributions	2,498,913	2,492,764	6,149	0%
Net assets - January 1	15,630,496	13,137,732		
Net assets - December 31	<u>\$ 18,129,409</u>	<u>\$ 15,630,496</u>		

Total revenues decreased by \$77,948 from the previous year due to a decrease in lease rental income at NOUPT and a decrease in other income. Increase in capital contributions of \$213,022 is due to the continued federal funding provided for the Reinventing the Crescent project.

Total expenses increased by \$128,925 from the previous year. The increase in expenses is primarily due to the increase in amortization expense on prepaid environmental insurance of \$65,267.

**NEW ORLEANS BUILDING CORPORATION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2011 AND 2010**

**CAPITAL ASSETS**

The Corporation's reported capital assets at December 31, 2011 and 2010 are as follows:

	2011	2010	Variance
Land	\$ 3,158,513	\$ 3,158,513	\$ -
Building & equipment	2,308,106	2,356,690	(48,584)
Building improvements	2,635,255	2,300,413	334,842
Construction in progress	15,259,671	5,302,905	9,956,766
Totals	<u>\$ 23,361,545</u>	<u>\$ 13,118,521</u>	<u>\$ 10,243,024</u>

The Corporation's capital assets presented above are net of accumulated depreciation. Total net capital assets increased by \$10,243,024 from the prior year. The increase in capital assets is due primarily to grant proceeds received from the federal government through the Community Development Block Grant funding for the Reinventing the Crescent project.

The Corporation's reported capital assets at December 31, 2010 and 2009 are as follows:

	2010	2009	Variance
Land	\$ 3,158,513	\$ 2,946,586	\$ 211,927
Building & equipment	2,356,690	2,652,312	(295,622)
Building improvements	2,300,413	1,550,073	750,340
Construction in progress	5,302,905	2,686,978	2,615,927
Totals	<u>\$ 13,118,521</u>	<u>\$ 9,835,949</u>	<u>\$ 3,282,572</u>

The Corporation's capital assets presented above are net of accumulated depreciation. Total net capital assets increased by \$3,282,572 from the prior year. The increase in capital assets is due primarily to grant proceeds received from the Federal Transit Administration, passed through the Regional Transit Authority and were used to fund renovations to the NOUPT facility in downtown New Orleans.

**DEBT ADMINISTRATION**

In November, 2011, the Corporation and Canal Street Development Corporation (CSDC) entered into a Cooperative Endeavor Agreement whereby CSDC agreed to provide for the payment of \$2 million in order for the Corporation to terminate WTC Lease Agreement.

**NEW ORLEANS BUILDING CORPORATION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2011 AND 2010**

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The Corporation has largely stabilized after the transition of mayoral administrations and changes to the membership of the Corporation's Board and the Corporation's management. The Corporation has worked closely with the City of New Orleans to continue the development of the Reinventing the Crescent-Downriver Park, which is scheduled to be completed in 2013.

The Reinventing the Crescent project is currently under construction and on schedule and budget. Federal funds are expected to be available to complete this phase of the development. The Corporation has continued efforts to negotiate the termination of the lease with the World Trade Center for 2 Canal Street, which could impact the expenditures and revenues of the organization. Finally, the Corporation has continued efforts to maximize leasing and needed improvements at the Union Passenger Terminal, which could result in fluctuating revenues and expenditures, respectively.

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Corporation's finances and to show the Corporation's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the administration at 1340 Poydras Street, Suite 1000, New Orleans, Louisiana, 70112 or 504-658-8458.

**NEW ORLEANS BUILDING CORPORATION**  
**STATEMENTS OF NET ASSETS**  
**DECEMBER 31, 2011 AND 2010**

**ASSETS**

	<u>2011</u>	<u>2010</u>
<b><u>CURRENT ASSETS</u></b>		
Cash and cash equivalents	\$ 2,471,936	\$ 539,751
Accounts receivable, net	1,589,757	2,175,639
Prepaid environmental insurance	-	378,555
Prepaid insurance and other assets	20,643	96,410
Total current assets	<u>4,082,336</u>	<u>3,190,355</u>
<b><u>NONCURRENT ASSETS</u></b>		
Restricted cash and cash equivalents	4,579,562	4,819,308
Capital assets	23,361,545	13,118,521
Total noncurrent assets	<u>27,941,107</u>	<u>17,937,829</u>
<b><u>TOTAL ASSETS</u></b>	<u>\$ 32,023,443</u>	<u>\$ 21,128,184</u>

**LIABILITIES AND NET ASSETS**

<b><u>CURRENT LIABILITIES</u></b>		
Accounts payable and accrued liabilities	\$ 2,455,869	\$ 2,825,751
Deferred revenue	33,556	74,233
Total current liabilities	<u>2,489,425</u>	<u>2,899,984</u>
<b><u>NONCURRENT LIABILITIES</u></b>		
Retainage payable	590,286	98,791
Customer deposits	9,166	-
Due to Canal Street Development Corporation	2,000,000	-
Total noncurrent liabilities	<u>2,599,452</u>	<u>98,791</u>
<b><u>TOTAL LIABILITIES</u></b>	<u>\$ 5,088,877</u>	<u>\$ 2,998,775</u>
<b><u>NET ASSETS</u></b>		
Invested in capital assets	\$ 23,361,545	\$ 13,118,521
Restricted	4,588,728	4,819,308
Unrestricted	<u>(1,015,707)</u>	<u>191,580</u>
<b><u>TOTAL NET ASSETS</u></b>	<u>\$ 26,934,566</u>	<u>\$ 18,129,409</u>

The accompanying notes are an integral part of these financial statements.

**NEW ORLEANS BUILDING CORPORATION**  
**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
<b><u>OPERATING REVENUES</u></b>		
Rent-tenants	\$ 1,825,212	\$ 1,791,894
Miscellaneous	76,002	55,294
<b><u>TOTAL OPERATING REVENUES</u></b>	<u>1,901,214</u>	<u>1,847,188</u>
<b><u>OPERATING EXPENSES</u></b>		
Contractual services	1,075,586	1,135,513
Repairs & maintenance	167,999	271,470
Insurance	271,197	213,317
Utilities	237,748	245,121
Amortization of environmental clean-up	378,555	378,554
Depreciation	172,170	169,227
Miscellaneous	52,040	253,498
<b><u>TOTAL OPERATING EXPENSES</u></b>	<u>2,355,295</u>	<u>2,666,700</u>
<b><u>OPERATING LOSS</u></b>	<u>(454,081)</u>	<u>(819,512)</u>
<b><u>NONOPERATING INCOME</u></b>		
Other income	387	45,590
<b><u>TOTAL NON-OPERATING INCOME</u></b>	<u>387</u>	<u>45,590</u>
<b><u>CHANGES IN NET ASSETS BEFORE CAPITAL CONTRIBUTIONS</u></b>	<u>(453,694)</u>	<u>(773,922)</u>
Capital Contributions	9,258,851	3,272,835
<b><u>CHANGES IN NET ASSETS AFTER CAPITAL CONTRIBUTIONS</u></b>	<u>8,805,157</u>	<u>2,498,913</u>
<b><u>TOTAL NET ASSETS - BEGINNING</u></b>	<u>18,129,409</u>	<u>15,630,496</u>
<b><u>TOTAL NET ASSETS - ENDING</u></b>	<u>\$ 26,934,566</u>	<u>\$ 18,129,409</u>

The accompanying notes are an integral part of these financial statements.

**NEW ORLEANS BUILDING CORPORATION**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>		
Rents received	\$ 1,783,866	\$ 1,901,402
Payments to suppliers	(1,880,693)	(1,821,312)
Payments for insurance and related costs	(204,596)	(521,447)
Other receipts	91,476	140,136
<b><u>NET CASH USED IN OPERATING ACTIVITIES</u></b>	<u>(209,947)</u>	<u>(301,221)</u>
<b><u>CASH FLOWS FROM NON-CAPITAL ACTIVITIES</u></b>		
Cash received from Canal Street Development Corporation	2,000,000	-
Other nonoperating income	387	45,590
<b><u>NET CASH PROVIDED BY NON-CAPITAL ACTIVITIES</u></b>	<u>2,000,387</u>	<u>45,590</u>
<b><u>CASH FLOWS FROM CAPITAL ACTIVITIES</u></b>		
Capital revenues from federal grants	9,839,094	3,272,835
Capital improvements	(9,937,095)	(2,963,431)
<b><u>NET CASH PROVIDED BY (USED IN) CAPITAL ACTIVITIES</u></b>	<u>(98,001)</u>	<u>309,404</u>
<b><u>NET INCREASE IN CASH EQUIVALENTS</u></b>	1,692,439	53,773
<b><u>CASH - BEGINNING OF YEAR</u></b>	<u>5,359,059</u>	<u>5,305,296</u>
<b><u>CASH - END OF YEAR</u></b>	<u>\$ 7,051,498</u>	<u>\$ 5,359,069</u>
<b><u>RECONCILIATION OF OPERATING LOSS TO NET CASH</u></b>		
<b><u>USED IN OPERATING ACTIVITIES</u></b>		
Operating loss	\$ (454,081)	\$ (819,512)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation expense	172,170	169,227
Amortization expense	378,555	378,554
Changes in assets and liabilities:		
Receivables	5,639	115,984
Prepaid expenses	75,767	(5,084)
Accounts payable	(356,486)	(350,921)
Deferred revenue	(40,677)	(110)
Developmental costs	-	210,641
Customer deposits	9,166	-
<b><u>NET CASH USED IN OPERATING ACTIVITIES</u></b>	<u>\$ (209,947)</u>	<u>\$ (301,221)</u>
<b><u>RECONCILIATION TO STATEMENT OF NET ASSETS:</u></b>		
Cash and cash equivalents for cash flow statement include:		
Cash and cash equivalents	\$ 2,471,936	\$ 539,751
Restricted cash and cash equivalents	4,579,562	4,819,308
Total cash and cash equivalents	<u>\$ 7,051,498</u>	<u>\$ 5,359,059</u>

The accompanying notes are an integral part of these financial statements.

**NEW ORLEANS BUILDING CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011 AND 2010**

**1. Summary of Significant Accounting Policies**

**Background**

The New Orleans Building Corporation (the Corporation) is a non-profit, public benefit corporation, incorporated in the State of Louisiana on May 4, 2000. The Corporation was formed for the purpose of owning, leasing, developing, and operating properties owned by the City of New Orleans or by the Corporation. These purposes include, but are not limited to planning, renovating, constructing, leasing, subleasing, managing, and promoting such properties, which activity is declared to constitute a public purpose.

The Corporation is governed by a seven person Board of Directors composed of the Mayor of New Orleans, three Council members of the City of New Orleans, and three appointed positions.

On May 25, 2002, the Corporation assumed control of the New Orleans Union Passenger Terminal (NOUPT) located in downtown New Orleans. The NOUPT was created by the State of Louisiana to enable the City of New Orleans to form a unique partnership with private railroads to finance, build, and operate the facility. The City acquired the sixty-acre downtown site and transferred use of it to the NOUPT until 2005 with an option to extend for another 50 years. With this arrangement in place, the railroads provided revenue bond financing for construction of a \$21 million terminal and support facility on the downtown site. The NOUPT began service in 1954, consolidating 30 weekly train arrivals and departures at five, widely scattered stations into the new downtown terminal. The City also granted the NOUPT the use of six miles of grade separated right-of-way created by city, state, federal, and private railroad funding, in excess of \$19 million, to eliminate time consuming and hazardous grade-crossings over the tracks servicing the NOUPT. In 1977, the City and private railroads transferred passenger rail operating responsibility of the NOUPT to the National Railroad Passenger Corporation-Amtrak. The City continued other aspects of its partnership agreement with the private railroads constituting the NOUPT prior to Amtrak's assumption of national passenger service from these railroads in the 1970's. The result was a unique governing body for the NOUPT consisting of a committee composed of representatives of the City, Public Belt Railroad Commission, Amtrak, and several railroads.

The Corporation is also responsible for the management of the Reinventing the Crescent project along the New Orleans riverfront. The project is in process and primarily funded through federal awards.

The accounting policies of the Corporation conform to accounting principles generally accepted in the United States of America, as applicable to governmental agencies. The following is a summary of the more significant accounting policies:



**NEW ORLEANS BUILDING CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011 AND 2010**

**1. Summary of Significant Accounting Policies (Continued)**

**The Financial Reporting Entity**

The Governmental Accounting Standards Board establishes standards for defining and reporting on the financial entity. The standards indicate that the focal point for identifying the financial reporting entity is the primary government, which is considered to be any state government or general purpose local government or a special purpose government that meets all of the following criteria: a) has a separately elected governing body, b) is legally separate, and c) is fiscally independent of other state and local governments.

As previously discussed, the City of New Orleans established the Corporation as a separate, legal entity with a governing body which is separate and independent of any other governmental "reporting entity", as defined by the standards.

For financial reporting purposes, the Corporation is a component unit of the City of New Orleans. As such, the financial statements of the Corporation are included in the financial statements of the City of New Orleans. All activities of the Corporation are included in this report.

**Proprietary Fund Type**

The proprietary fund is used to account for the Corporation's ongoing operations and activities which are similar to those often found in the private sector. The proprietary fund is accounted for using a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net assets. Net assets are segregated into amounts invested in capital assets (net of related debt), restricted for capital projects, and unrestricted. The Board's restricted assets are expendable for their purposes. The Corporation utilizes available restricted assets before utilizing unrestricted assets. The operating statements present increases (revenues) and decreases (expenses) in net assets.

The Corporation maintains one proprietary fund type – the enterprise fund. The enterprise fund is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises--where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance.

**Basis of Accounting**

Basis of accounting refers to the point at which revenues or expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focal applied.

The proprietary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

**NEW ORLEANS BUILDING CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011 AND 2010**

**1. Summary of Significant Accounting Policies (Continued)**

**Use of Estimates**

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Cash and Cash Equivalents**

Cash and cash equivalents include amounts in demand deposit accounts and money market funds. Restricted cash and cash equivalents at December 31, 2011 and 2010 of \$4,579,562 and \$4,819,308, respectively, as presented in the Statement of Net Assets are restricted as for the benefit of NOUPT as described in the Environmental Escrow Account Agreement and the Termination Escrow Agreement. These funds were placed in escrow when the Corporation assumed control of NOUPT on May 22, 2002.

The Environmental Escrow Account Agreement provides that after ten years, and in the event no claim has been made against the Environmental Escrow Account, the Corporation withdraw from the Environmental Account the entire balance except \$1,000,000 for certain expenses. After twenty years, the Corporation may withdraw the entire balance of the Environmental Account. Included in restricted cash and cash equivalents at December 31, 2011 and 2010 is \$2,237,562 and \$2,239,935, respectively, maintained in the Environmental Escrow Account. The Environmental Escrow Account Agreement terminates on May 22, 2022.

The Termination Escrow Account Agreement expires on May 25, 2052. Upon termination of the Termination Escrow Agreement, the full investment balance will be disbursed to the Corporation. Included in restricted cash and cash equivalents at December 31, 2011 and 2010 is \$2,342,000 and \$2,579,373, respectively, of money market funds maintained in the Termination Escrow Account.

**Receivables**

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. At December 31, 2011 and 2010, the Corporation considers the receivables collectible and no allowance for doubtful accounts is recorded.

**Prepaid Expenses**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements.

In connection with the transfer of the NOUPT facility to the Corporation, the Corporation purchased an insurance policy for certain losses at NOUPT. The original policy premium is \$3,200,663, and the policy period is from December 14, 2001 through December 14, 2011. At December 31, 2011, the Policy premium amount was fully amortized.

**NEW ORLEANS BUILDING CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011 AND 2010**

**1. Summary of Significant Accounting Policies (Continued)**

**Capital Assets**

The Corporation's capitalization policy requires that all single assets costing \$1,000 or more be capitalized and depreciated over their useful lives. The straight-line method of depreciation is used for all classes of capital assets. The Corporation established the following estimated useful lives for each asset class:

<u>Assets</u>	<u>Estimated Useful Lives</u>
Computer Equipment	7 years
Building and Equipment	30 years
Building Improvements	30 years

All capital assets acquired or donated are valued at historical cost or estimated historical cost if actual historical cost is not available. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are recorded as expenditures.

**Revenue recognition**

All leases on properties are classified as operating leases and the related rental income is recognized on a straight line basis over the terms of the related leases. Percentage rents are recognized as rental income when the thresholds upon which they are based have been met. Recoveries from tenants for taxes, insurance, and other operating expenses are recognized as revenues in the period the corresponding costs are incurred.

**2. Cash and Cash Equivalents**

At December 31, 2011 and 2010, the Corporation had \$2,500,182 and \$597,638 in demand deposits, respectively. The bank balances and collateralization for deposit at December 31 are as follows:

	<u>2011</u>	<u>2010</u>
Total bank balances	<u>\$ 2,500,182</u>	<u>\$ 597,638</u>
Federal depository insurance	250,000	250,000
Pledged securities	<u>3,355,825</u>	<u>3,354,129</u>
Total collateral	<u>\$ 3,605,825</u>	<u>\$ 3,604,129</u>
Excess collateral	<u>\$ 1,105,643</u>	<u>\$ 3,006,491</u>

**NEW ORLEANS BUILDING CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011 AND 2010**

**2. Cash and Cash Equivalents (Continued)**

At December 31, 2011 and 2010, the Corporation had \$4,579,562 and \$4,819,308, respectively, in restricted cash accounts. Restricted cash accounts are deposited in escrow accounts. Restricted cash is invested exclusively in U.S. Treasury bills, notes and other obligations issued or guaranteed by the U.S. Treasury, and repurchase agreements collateralized by such obligations. These securities investments are not subject to custodial credit risk.

Louisiana Revised Statutes authorize the Corporation to invest in United States bonds, treasury notes, certificates or other obligation of the United States of America, or time certificates of deposits of state banks organized under Louisiana laws and national banks having principal offices in the State. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it under state law. All deposits are secured by Federal depository insurance or the pledge of securities held by the pledging banks agent in the Corporation's name.

**3. Accounts Receivable**

Included in accounts receivable, net at December 31, 2011 and 2010 is \$1,575,744 and \$2,155,987, respectively, of amounts due from the City of New Orleans relating to Community Development Block Grant (CDBG) funding for the Reinventing the Crescent project.

**4. Capital Assets**

The following is a summary of capital assets for the year ended December 31, 2011:

Description	Balance January 1, 2011	Additions	Deletions	Balance December 31, 2011
Land	\$ 3,158,513	\$ -	\$ -	\$ 3,158,513
Building & equipment	19,070,992	-	-	19,070,992
Building improvements	2,290,413	458,427	-	2,748,840
Office equipment	10,000	-	-	10,000
Construction in progress	5,302,904	9,956,767	-	15,259,671
Subtotal	29,832,822	10,415,194	-	40,248,016
Less: accumulated depreciation	(16,714,301)	(172,170)	-	(16,886,471)
Total	\$ 13,118,521	\$ 10,243,024	\$ -	\$ 23,361,545

**NEW ORLEANS BUILDING CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011 AND 2010**

**4. Capital Assets (Continued)**

The following is a summary of capital assets for the year ended December 31, 2010:

Description	Balance January 1, 2010 (as restated)	Additions	Deletions	Balance December 31, 2010
Land	\$ 2,946,586	\$ 211,927	\$ -	\$ 3,158,513
Building & equipment	19,046,612	24,380	-	19,070,992
Building improvements	1,690,847	599,566	-	2,290,413
Office equipment	59,975	-	(49,975)	10,000
Construction in progress	2,686,978	2,615,926	-	5,302,904
Subtotal	26,430,998	3,451,799	(49,975)	29,832,822
Less: accumulated depreciation	(16,595,049)	(169,227)	49,975	(16,714,301)
Total	<u>\$ 9,835,949</u>	<u>\$ 3,282,572</u>	<u>\$ -</u>	<u>\$ 13,118,521</u>

Construction in progress at December 31, 2011 and 2010 includes amounts for the Reinventing the Crescent project along the Riverfront.

**5. Deferred Revenue**

Deferred revenue related to prepaid rent received on NOUPT. At December 31, 2011 and 2010, included on the Statement of Net Assets is \$33,556 and \$74,233, respectively, for prepaid rent amounts from tenants.

**6. Due to Canal Street Development Corporation**

The Corporation leased the World Trade Center building and parking garage to the World Trade Center of New Orleans, Inc. under a rental agreement which was set to expire in October 2019. The lease terms require rent in the amount of \$1 per year through the term of the lease. In November 2011, the Corporation and Canal Street Development Corporation (CSDC) entered into a Cooperative Endeavor Agreement whereby CSDC agreed to provide for the payment of \$2 million in order for the Corporation to terminate the WTC Lease Agreement.

The lease was subsequently terminated and buy out in the amount of \$2,295,378 was disbursed in March 9, 2012 to the World Trade Center of New Orleans, Inc.

Repayment of the due to amount will be paid by the Corporation through granting CSDC the right and authority to operate a parking garage, located adjoining the World Trade Center Building and consists of 1,000 self-car parking spaces, on a day-to-day basis, including the right to collect all revenues generated by the garage. The excess of \$250,000 garage revenues received in each year shall be applied towards payment of the indebtedness until it is paid in full.

**NEW ORLEANS BUILDING CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011 AND 2010**

**7. Operating Leases**

The Corporation leases the NOUPT facility to approximately 20 tenants, including Greyhound and Amtrak, on either month to month agreements or long term agreements. The following is a schedule of the minimum future rental income on non-cancelable operating leases as of December 31, 2011.

<u>Year Ending</u>	<u>Amount</u>
2012	\$ 1,521,476
2013	1,459,704
2014	1,136,841
2015	834,787
2016	864,057
2017-2021	3,968,291
2022-2026	3,025,158
2027-2030	313,409
Total	<u>\$ 13,123,723</u>

Rental income of \$1,825,212 and \$1,791,894 is reported on the Statements of Revenues, Expenses, and Changes in Net Assets for the years ended December 31, 2011 and 2010, respectively.

**8. Commitments and Contingencies**

**Construction agreements**

The Corporation has a construction agreement with a contractor for work on the Reinventing the Crescent project. The total contract amount is \$24,135,956. The remaining commitment on contract was \$13,542,071 and \$21,062,962 at December 31, 2011 and 2010 respectively. The Corporation has also entered into a management agreement with a vendor to manage the Reinventing the Crescent project. The total contract amount for the management agreement is \$1,003,335 and the remaining commitment on the management contract was \$295,371 and \$246,639 at December 31, 2011 and 2010.

**Environmental liability**

The City of New Orleans and the Corporation have owned/leased the site used by AMTRAK, a lessee and operator where railroad equipment service and maintenance operations were conducted from approximately 1974 to present.

In June 2011, the Corporation received notification from the State of Louisiana Department of Environmental Quality and a formal demand by the Secretary under Louisiana Revised Statute 30:2275 for the remediation of the site including the design and implementation of a remedial investigation and a remedial action.

**NEW ORLEANS BUILDING CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011 AND 2010**

**8. Commitments and Contingencies (Continued)**

**Environmental liability (Continued)**

As of the report date, it is the opinion of the Corporation and counsel that the ultimate resolution of this notification and any related liabilities cannot be determined. The Corporation does have restricted assets that can be used to fund environmental remediation on the site. The Corporation also has an insurance policy which may be used to fund any potential environmental liability that may be assessed by the Louisiana Department of Environmental Quality.

**9. Related Parties**

During the year ended, December 31, 2011 and 2010, the Corporation received Community Development Block Grant funding of \$7,785,913 and \$2,574,478, respectively, passed through the City of New Orleans. The Corporation also receives administrative assistance and staffing from employees of the City of New Orleans without charge. As the assistance from the City of New Orleans cannot be estimated, no amounts are reflected in the financial statements of the Corporation relating to these services.

**10. Risk Management**

The Corporation is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; and material disasters for which the Corporation carries errors and omissions and natural disaster commercial insurance. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

**11. Per Diem Paid to Board of Directors**

The Board of Directors in their capacity as board members received no per diem amounts for the years ended December 31, 2011 and 2010.

**12. Contingencies – Grant programs**

The Corporation participates in state and federal grant programs which are governed by various rules and regulations. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the Corporation has not complied with the rules and regulations governing the grants, refunds of any money received and the collectability of any related receivable as of December 31, 2011 might be impaired. In management's opinion, there are no significant contingent liabilities relating to compliance with the rules and regulations governing state and federal grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies. Any costs that would be disallowed would be recognized in the period agreed upon by the grantor agency and the Corporation.

**NEW ORLEANS BUILDING CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011 AND 2010**

**13. Subsequent Events**

The Corporation has evaluated subsequent events through June 25, 2012 the date the financial statements were available to be issued and noted the following items required disclosure.

**WTC Lease Termination**

In March 2012, the Corporation entered into an agreement with the World Trade Center of New Orleans, Inc. to terminate the lease contract in exchange for an amount of \$2,295,378.



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**NEW ORLEANS BUILDING CORPORATION**

**SINGLE AUDIT REPORTS**

**DECEMBER 31, 2011**

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**NEW ORLEANS BUILDING CORPORATION**  
**New Orleans, Louisiana**

**Single Audit Reports**

**December 31, 2011**

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

To the Board of Directors of  
New Orleans Building Corporation:

We have audited the financial statements of the New Orleans Building Corporation (the Corporation) as of and for the year ended December 31, 2011, and have issued our report thereon dated June 25, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

The Corporation's management is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Corporation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information of the Corporation, the Corporation's management, and federal awarding agencies and pass-through entities, such as the State of Louisiana and Legislative Auditor's Office, and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Postlethwaite + Netterville*

New Orleans, Louisiana

June 25, 2012



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT  
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Directors of  
New Orleans Building Corporation:

**Compliance**

We have audited the compliance of the New Orleans Building Corporation (the Corporation) with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended December 31, 2011. The Corporation's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Corporation's management. Our responsibility is to express an opinion on the Corporation's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Corporation's compliance with those requirements.

In our opinion, the Corporation complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs identified in the accompanying schedule of findings and questioned costs for the year ended December 31, 2011.

**Internal Control Over Compliance**

Management of the Corporation is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Corporation's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of Corporation's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses in internal control over compliance. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

#### Schedule of Expenditures of Federal Awards

We have audited the financial statements of the Corporation as of and for the year December 31, 2011, and have issued our report thereon dated June 25, 2012, which contained unqualified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements as a whole. The schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

This report is intended solely for the information of the Corporation, the Corporation's management, and federal awarding agencies and pass-through entities, such as the State of Louisiana and Legislative Auditor's Office, and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Postlethwaite + Netterville*

New Orleans, Louisiana  
June 25, 2012

**NEW ORLEANS BUILDING CORPORATION**  
**New Orleans, Louisiana**

**Schedule of Expenditures of Federal Awards**

**For the year ended December 31, 2011**

<b><u>Federal Grantor/Program Title</u></b>	<b><u>CFDA Number</u></b>	<b><u>Expenditures</u></b>
<b><u>United States Department of Housing and Urban Development:</u></b>		
Passed through the City of New Orleans: Community Development Block Grant	14.228	<u>\$ 9,262,866</u>
Total United States Department of Housing and Urban Development		<u>9,262,866</u>
Total Federal Awards		<u>\$ 9,262,866</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

**NEW ORLEANS BUILDING CORPORATION**  
**New Orleans, Louisiana**

**Notes to Schedule of Expenditures of Federal Awards**

**December 31, 2011**

**(1) General**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of the federal awards of the New Orleans Building Corporation (the Corporation). The Corporation's reporting entity is defined in note 1 to the financial statements for the year ended December 31, 2011. All federal awards received from federal agencies are included on the schedule.

**(2) Basis of Accounting**

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in note 1 to the Corporation's financial statements for the year ended December 31, 2011.

**(3) Relationship to Financial Statements**

Federal Awards are included as capital contributions of \$9,262,866 in the Statement of Revenues, Expenses, and Changes in Net Assets.



**NEW ORLEANS BUILDING CORPORATION**  
**New Orleans, Louisiana**

**Schedule of Findings and Questioned Costs**

**Year ended December 31, 2011**

(1) **Summary of Auditors' Results**

- (a) The type of report issued on the basic financial statements: unqualified opinion
- (b) Significant deficiencies in internal control were disclosed by the audit of the financial statements: no; Material weaknesses: no
- (c) Noncompliance which is material to the financial statements: no
- (d) Significant deficiencies in internal control over major programs: no; Material weaknesses: no
- (e) The type of report issued on compliance for major programs: unqualified opinion
- (f) Any audit findings which are required to be reported under Section 510(a) of OMB Circular A-133: no
- (g) Major programs:
  - Department of Housing and Urban Development:  
Community Development Block Grant 14.228
- (h) Dollar threshold used to distinguish between Type A and Type B programs: \$300,000
- (i) Auditee qualified as a low-risk auditee under Section 530 of OMB Circular A-133: no

- 2) Findings Relating to the Financial Statements Reported in accordance with *Government Auditing Standards*: none.

**NEW ORLEANS BUILDING CORPORATION**

**New Orleans, Louisiana**

**Summary Schedule of Prior Audit Findings**

**2010-1 ACCOUNTING AND FINANCIAL REPORTING**

*Condition:* The New Orleans Building Corporation (the Corporation) does not have adequate policies, procedures, and related internal controls to prepare accurate and complete financial statements on a timely basis.

*Criteria:* The Corporation should have systems of internal accounting controls in place which ensures the basic financial statements are presented in accordance with U.S. generally accepted accounting principles on a timely basis

*Effect:* The Corporation was required to record a significant amount of material adjustments to its major accounts to ensure the financial statements were presented in accordance with U.S. generally accepted accounting principles.

*Current status:* Resolved.

**2010-2 TIMELY SUBMISSION OF AUDIT REPORT TO LEGISLATIVE AUDITOR**

*Condition:* The Corporation did not meet the June 30, 2011 deadline for reporting to the State of Louisiana. The Corporation did request and received an extension of time until September 30, 2011 from the Legislative Auditor to file its financial statements.

*Criteria:* Under Louisiana statute, the Corporation is required to have an annual audit of its financial statements prepared in accordance with U.S. generally accepted accounting principles and to complete the audit and file it with the Legislative Auditor of the State of Louisiana by June 30 of each year.

*Effect:* The financial statements were not filed by the June 30 deadline.

*Cause:* The audit was delayed primarily due to the change in the City administration and the Corporation's process of complying with the policy for obtaining a new CPA firm to complete the December 31, 2010 year end audit.

*Current status:* Resolved.

**NEW ORLEANS BUILDING CORPORATION**  
**New Orleans, Louisiana**

**Summary Schedule of Prior Audit Findings**

**2010-3 FTA DAVIS-BACON ACT**

*Federal program identification:*

CFDA Title: Federal Transit cluster

CFDA Number: 20.500

*Condition:* The Corporation did not document testing compliance with the requirements of the Davis-Bacon Act of individual contractors for one of the three invoices tested, which the contractor did not provide the Corporation with a certified payroll related to the invoice.

*Criteria:* Non-federal entities shall include in their construction contracts subject to Davis-Bacon Act a requirement that the contractor or subcontractor comply with the requirements of the Davis-Bacon Act and the DOL regulations. This includes a requirement for the contractor or subcontractor to submit to the non-Federal entity weekly, for each week in which any contract work is performed, a copy of the payroll and a statement of compliance (certified payroll).

*Effect:* The Corporation cannot provide reasonable assurance that individual construction contractors and subcontractors are complying with the requirements of the Davis-Bacon Act.

*Cause:* Documentation procedures established to monitor compliance of individual contractors and subcontractors were not followed in 2010.

*Current status:* Resolved.